

TOWNSHIP OF MUELLER  
Schoolcraft County, Michigan

FINANCIAL REPORT WITH  
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2006

## AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

<b>Local Government Type</b> <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		<b>Local Government Name</b> Township of Mueller	<b>County</b> Schoolcraft
<b>Audit Date</b> March 31, 2006	<b>Opinion Date</b> July 13, 2006	<b>Date Accountant Report Submitted to State:</b> July 21, 2006	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

<b>Certified Public Accountant (Firm Name)</b> Campbell, Kusterer & Co., P.C.			
<b>Street Address</b> 512 N. Lincoln, Suite 100, P.O. Box 686		<b>City</b> Bay City	<b>State</b> MI
<b>Accountant Signature</b> <i>Campbell, Kusterer &amp; Co., P.C.</i>		<b>Zip</b> 48707	

TOWNSHIP OF MUELLER  
Schoolcraft County, Michigan

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# **CAMPBELL, KUSTERER & CO., P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

July 13, 2006

To the Township Board  
Township of Mueller  
Schoolcraft County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Mueller, Schoolcraft County, Michigan as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Mueller's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Mueller, Schoolcraft County, Michigan as of March 31, 2006, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of April 1, 2005.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Campbell, Kusterer & CO., P.C.*

CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants

TOWNSHIP OF MUELLER  
Schoolcraft County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended March 31, 2006

The Management's Discussion and Analysis report of the Township of Mueller covers the Township's financial performance during the year ended March 31, 2006.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Overall total capital assets remained approximately the same.

Overall revenues were \$78,043.53 from governmental activities with a \$12,810.88 increase in net assets.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of the basic financial statements and required supplementary information.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole. The statement of net assets includes all the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

All of the activities of the Township are reported as governmental activities. These include the General Fund.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Our cash position in the governmental activities remains stable.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for most of the Township's governmental services which totaled \$61,832.65 for the year.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities invested \$0 in capital assets.

The Township's governmental activities paid \$0 in principal on long-term debt.

TOWNSHIP OF MUELLER  
Schoolcraft County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended March 31, 2006

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future is expected to be stable.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Townships finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township Supervisor Don Perigo at (906) 283-3431.

TOWNSHIP OF MUELLER  
Schoolcraft County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
March 31, 2006

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	66 271 15
Taxes receivable	<u>2 670 40</u>
Total Current Assets	<u>68 941 55</u>
NON-CURRENT ASSETS:	
Capital Assets	77 000 00
Less: Accumulated Depreciation	<u>(38 333 37)</u>
Total Non-current Assets	<u>38 666 63</u>
TOTAL ASSETS	<u><u>107 608 18</u></u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	<u>-</u>
Total Current Liabilities	<u>-</u>
NON-CURRENT LIABILITIES	<u>-</u>
Total Non-current Liabilities	<u>-</u>
Total Liabilities	<u>-</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	38 666 63
Unrestricted	<u>68 941 55</u>
Total Net Assets	<u><u>107 608 18</u></u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>107 608 18</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MUELLER  
Schoolcraft County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
Year ended March 31, 2006

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities Net (Expense) Revenue and Changes in Net Assets</u>
<b>FUNCTIONS/PROGRAMS</b>			
Governmental Activities:			
Legislative	3 111 41	-	(3 111 41)
General government	32 656 22	9 339 26	(23 316 96)
Public safety	12 257 37	-	(12 257 37)
Public works	2 657 65	-	(2 657 65)
Culture and recreation	600 00	-	(600 00)
Other	13 950 00	-	(13 950 00)
<b>Total Governmental Activities</b>	<u>65 232 65</u>	<u>9 339 26</u>	<u>(55 893 39)</u>
General Revenues:			
Property taxes			31 261 73
Other taxes			3 429 87
State revenue sharing			19 217 70
Interest			2 650 48
Miscellaneous			12 144 49
<b>Total General Revenues</b>			<u>68 704 27</u>
Change in net assets			12 810 88
Net assets, beginning of year			<u>94 797 30</u>
<b>Net Assets, End of Year</b>			<u>107 608 18</u>

The accompanying notes are an integral part of these financial statements.



TOWNSHIP OF MUELLER  
Schoolcraft County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS  
March 31, 2006

	<u>General</u>
<u>Assets</u>	
Cash in bank	65 496 29
Taxes receivable	2 670 40
Due from other funds	<u>774 86</u>
Total Assets	<u>68 941 55</u>
<u>Liabilities and Fund Equity</u>	
Liabilities:	
Accounts payable	<u>-</u>
Total liabilities	<u>-</u>
Fund equity:	
Fund balances:	
Unreserved:	
Undesignated	<u>68 941 55</u>
Total fund equity	<u>68 941 55</u>
Total Liabilities and Fund Equity	<u>68 941 55</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MUELLER  
Schoolcraft County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
March 31, 2006

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS

68 941 55

Amounts reported for governmental activities in the statement of  
net assets are different because –

Capital assets used in governmental activities are not financial resources and  
therefore are not reported in the governmental funds balance sheet:

Capital assets at cost  
Accumulated depreciation

77 000 00  
(38 333 37)

TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES

107 608 18

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MUELLER  
Schoolcraft County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –  
GOVERNMENTAL FUNDS  
Year ended March 31, 2006

	<u>General</u>
Revenues:	
Property taxes	31 261 73
Other taxes	3 429 87
State revenue sharing	19 217 70
Charges for services – PTAF	9 339 26
Interest	2 650 48
Miscellaneous	<u>12 144 49</u>
Total revenues	<u>78 043 53</u>
Expenditures:	
Legislative:	
Township Board	3 111 41
General government:	
Supervisor	4 955 07
Elections	838 40
Clerk	4 983 19
Assessor	9 729 53
Board of Review	679 00
Treasurer	6 291 68
Building and grounds	1 912 45
Unallocated	3 266 90
Public safety:	
Liquor law enforcement	204 00
Fire protection	8 653 37
Public works:	
Street lighting	2 657 65
Culture and recreation:	
Parks and recreation	600 00
Other:	
Insurance	11 826 00
Pension	2 124 00
Total expenditures	<u>61 832 65</u>
Excess of revenues over expenditures	16 210 88
Fund balance, April 1	<u>52 730 67</u>
Fund Balance, March 31	<u><u>68 941 55</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MUELLER  
Schoolcraft County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year ended March 31, 2006

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS 16 210 88

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,  
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(3 400 00)
Capital Outlay	<u>-</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>12 810 88</u>
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The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MUELLER  
Schoolcraft County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2006

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Mueller, Schoolcraft County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Mueller. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF MUELLER  
Schoolcraft County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2006

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Investments

Investments are stated at market.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2005 tax roll millage rate was 1.0903 mills, and the taxable value was \$28,665,835.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

TOWNSHIP OF MUELLER  
Schoolcraft County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2006

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$5,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	50 years
Furniture and equipment	15 years

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Accounting Change

Effective April 1, 2005, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34). Changes to the Township's financial statements as a result of GASB No. 34 are as follows:

A Management's Discussion and Analysis (MD&A) section providing analysis of the Township's overall financial position and results of operations has been included.

Government-wide financial statements (Statement of Net Assets and Statement of Activities) prepared using the full accrual accounting for all the Township's activities have been provided.

Capital assets in the governmental activities column of the Statement of Net Assets include net assets totaling \$38,666.63.

TOWNSHIP OF MUELLER  
Schoolcraft County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2006

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated one bank for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>66,271.15</u>



TOWNSHIP OF MUELLER  
Schoolcraft County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2006

Note 3 – Deposits and Investments (continued)

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	66 281 46
Uninsured and Uncollateralized	<u>-</u>
Total Deposits	<u>66 281 46</u>

The Township of Mueller did not have any investments as of March 31, 2006.

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	<u>Balance 4/1/05</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/06</u>
<u>Governmental Activities:</u>				
Land	7 000 00	-	-	7 000 00
Buildings	25 000 00	-	-	25 000 00
Equipment	<u>45 000 00</u>	<u>-</u>	<u>-</u>	<u>45 000 00</u>
Total	77 000 00	-	-	77 000 00
Accumulated Depreciation	<u>(34 933 37)</u>	<u>(3 400 00)</u>	<u>-</u>	<u>(38 333 37)</u>
Net Capital Assets	<u>42 066 63</u>	<u>(3 400 00)</u>	<u>-</u>	<u>38 666 63</u>

Note 5 – Pension Plan

The Township has a defined contribution pension plan covering all full time employees. The Township contributes an amount of each employee's annual salary to the plan. The net pension expense for the fiscal year ended March 31, 2006, was \$2,124.00.

Note 6 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 7 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8 – Building Permits

The Township of Mueller does not issue building permits. Building permits are issued by the County of Schoolcraft.

TOWNSHIP OF MUELLER  
Schoolcraft County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2006

Note 9 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	<u>774 86</u>	Current Tax Collection	<u>774 86</u>

TOWNSHIP OF MUELLER  
Schoolcraft County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND  
Year ended March 31, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	27 600 00	27 600 00	31 261 73	3 661 73
Other taxes	-	-	3 429 87	3 429 87
State revenue sharing	17 893 75	17 893 75	19 217 70	1 323 95
Changes for services - PTAF	7 000 00	7 000 00	9 339 26	2 339 26
Interest	250 00	250 00	2 650 48	2 400 48
Miscellaneous	1 762 00	1 762 00	12 144 49	10 382 49
Total revenues	<u>54 505 75</u>	<u>54 505 75</u>	<u>78 043 53</u>	<u>23 537 78</u>
Expenditures:				
Legislative:				
Township Board	3 900 00	3 900 00	3 111 41	(788 59)
General government:				
Supervisor	5 000 00	5 000 00	4 955 07	(44 93)
Elections	2 400 00	2 400 00	838 40	(1 561 60)
Clerk	5 200 00	5 200 00	4 983 19	(216 81)
Assessor	10 000 00	10 000 00	9 729 53	(270 47)
Board of Review	800 00	800 00	679 00	(121 00)
Treasurer	7 200 00	7 200 00	6 291 68	(908 32)
Building and grounds	2 000 00	2 000 00	1 912 45	(87 55)
Cemetery	1 000 00	1 000 00	-	(1 000 00)
Unallocated	3 300 00	3 300 00	3 266 90	(33 10)
Public safety:				
Liquor law enforcement	400 00	400 00	204 00	(196 00)
Fire protection	9 600 00	9 600 00	8 653 37	(946 63)
Public works:				
Highways and streets	4 000 00	4 000 00	-	(4 000 00)
Street lighting	3 440 00	3 440 00	2 657 65	(782 35)
Culture and recreation:				
Parks and recreation	600 00	600 00	600 00	-
Other:				
Insurance	13 800 00	13 800 00	11 826 00	(1 974 00)
Pension	2 300 00	2 300 00	2 124 00	(176 00)
Capital outlay	12 565 75	12 565 75	-	(12 565 75)
Total expenditures	<u>87 505 75</u>	<u>87 505 75</u>	<u>61 832 65</u>	<u>(25 673 10)</u>
Excess (deficiency) of revenues over expenditures	(33 000 00)	(33 000 00)	16 210 88	49 210 88
Fund balance, April 1	<u>33 000 00</u>	<u>33 000 00</u>	<u>52 730 67</u>	<u>19 730 67</u>
Fund Balance, March 31	<u>-</u>	<u>-</u>	<u>68 941 55</u>	<u>68 941 55</u>

TOWNSHIP OF MUELLER  
Schoolcraft County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year ended March 31, 2006

Township Board:	1 800 00
Wages	356 19
Printing and publishing	272 12
Supplies	683 10
Miscellaneous	<u>3 111 41</u>
Supervisor:	<u>4 955 07</u>
Salary and supplies	<u>838 40</u>
Elections	
Clerk:	4 800 00
Salary	183 19
Supplies	<u>4 983 19</u>
Assessor:	9 144 99
Contracted services	584 54
Miscellaneous	<u>9 729 53</u>
Board of Review	<u>679 00</u>
Treasurer:	4 800 00
Salary	1 491 68
Supplies	<u>6 291 68</u>
Building and grounds:	881 25
Wages - janitor	1 031 20
Operations	<u>1 912 45</u>
Unallocated:	2 824 56
Manatron	442 34
Payroll taxes	<u>3 266 90</u>
Liquor law enforcement	<u>204 00</u>
Fire protection:	540 00
Wages	7 262 78
Repairs and maintenance	850 59
Miscellaneous	<u>8 653 37</u>
Street lighting	<u>2 657 65</u>
Parks and recreation	<u>600 00</u>
Insurance	<u>11 826 00</u>
Pension	<u>2 124 00</u>
Total Expenditures	<u><u>61 832 65</u></u>

TOWNSHIP OF MUELLER  
Schoolcraft County, Michigan

CURRENT TAX COLLECTION FUND  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
Year ended March 31, 2006

	<u>Balance 4/1/05</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 3/31/06</u>
<u>Assets</u>				
Cash in Bank	<u>305 731 71</u>	<u>980 819 03</u>	<u>1 285 775 88</u>	<u>774 86</u>
<u>Liabilities</u>				
Due to other funds	17 396 65	46 158 16	62 779 95	774 86
Due to other units	<u>288 335 06</u>	<u>934 660 87</u>	<u>1 222 995 93</u>	<u>-</u>
Total Liabilities	<u>305 731 71</u>	<u>980 819 03</u>	<u>1 285 775 88</u>	<u>774 86</u>

TOWNSHIP OF MUELLER  
Schoolcraft County, Michigan

CURRENT TAX COLLECTION FUND  
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS  
Year Ended March 31, 2006

Cash in bank – beginning of year	<u>305 731 71</u>
Receipts:	
Taxes	970 439 46
Property tax administration fees	8 802 78
Interest	<u>1 576 79</u>
Total receipts	<u>980 819 03</u>
Total beginning balance and cash receipts	<u>1 286 550 74</u>
Disbursements:	
Schoolcraft County	462 758 12
Manistique Area Schools	660 124 83
Delta Schoolcraft Intermediate School District	96 566 62
Township General Fund	62 779 95
Soil Conservation District	2 133 65
Refunds	<u>1 412 71</u>
Total disbursements	<u>1 285 775 88</u>
Cash in Bank – End of Year	<u><u>774 86</u></u>

# **CAMPBELL, KUSTERER & CO., P.C.**

**CERTIFIED PUBLIC ACCOUNTANTS**

**MARK J. CAMPBELL, CPA  
KENNETH P. KUSTERER, CPA**

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BAY CITY, MICHIGAN 48707**

**TEL (989) 894-1040  
FAX (989) 894-5494**

## **AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS**

July 13, 2006

To the Township Board  
Township of Mueller  
Schoolcraft County, Michigan

We have audited the financial statements of the Township of Mueller for the year ended March 31, 2006. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

### **AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES**

We conducted our audit of the financial statements of the Township of Mueller in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board  
Township of Mueller  
Schoolcraft County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

### **SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies are described in Note 1 to the financial statements.

### **OTHER COMMUNICATIONS**

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

### **GASB 34 IMPLEMENTATION**

The Governmental Accounting Standards Board issued a new reporting model for governmental units which was required to be implemented for the fiscal year ended March 31, 2006. The implementation of this pronouncement for the Township of Mueller began with the year ended March 31, 2006. The daily operations and recording transactions did not change significantly, however, the Township is required to maintain additional records for the year end adjustments to the final presentation format.

### **COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY**

Our procedures disclosed the following conditions that we would like to bring to your attention:

#### **SEGREGATION OF DUTIES**

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2006.



To the Township Board  
Township of Mueller  
Schoolcraft County, Michigan

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

*Campbell, Kusterer & Co., P.C.*

CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants